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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

RELEASED

JUL 17 1974

B-114874

The Honorable Alan Cranston
United States Senate

Dear Senator Cranston:

- 1 Your November 15, 1973, letter requested that we review
several areas of the operations of the United States Postal Service. 52
/ It was agreed that separate reports would be issued as our work on
the various matters was completed.

On February 12, 1974, we issued our report regarding certain Service expenditures for its new headquarters building, and on June 12, 1974, we sent you our report on allegations concerning a contract awarded to a friend of the Postmaster General. This report concerns (1) Service restrictions on placing advertising supplements in newspapers mailed at second-class postage rates and (2) the Service's annual loss of revenue, if any, from the multiple enclosure of advertising matter in one envelope (marriage mailings) mailed at third-class rates.

As your office agreed, we performed our review at Service headquarters in Washington, D.C.; its western region headquarters; and selected post offices in the Washington, D.C., and southern California areas. Our review included talking with postal officials and examining documents, records, and reports. In addition, we obtained the views of officials of selected newspapers in southern California.

ADVERTISING SUPPLEMENTS IN NEWSPAPERS

Postal Service restrictions concerning advertising supplements to newspapers mailed at second-class rates are more stringent than restrictions concerning advertising matter mailed at third-class rates, because the purpose of second-class mail rates is to encourage the dissemination of information of a public nature. As a result, these publications are mailed at preferred rates subsidized, in part, by the public and, therefore, lower than third-class rates. These restrictions include:

1. The supplement must be germane to the publication.
2. The supplement must be needed to supply matter omitted from the publication for want of space, time, or greater convenience.

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3. The supplement cannot be mailed separately but must be mailed with the publication.
4. Publishers must be paid at advertising rates for carrying pre-printed advertising supplements.
5. A supplement must bear the title of the publication preceded by the words "Supplement to."

According to Service officials, the first restriction above is the most difficult to enforce.

For those supplements that meet the other four criteria, Postal officials said the question of being germane is resolved by calculating the number of copies of the supplement distributed through publications authorized to use second-class rates. If this number is less than 50 percent of the total number of copies published, then the supplement is deemed not germane and the third-class single piece rate is charged.

Local postal officials were not having any problems with the newspapers mailed through their offices. Likewise, officials of the newspapers we visited were not having problems in this area.

In addition, the newspaper officials said that, though an advertising supplement may be included in the street edition, in many cases it is not included in the mailed edition because the advertiser did not want the supplement mailed out of the immediate area.

MARRIAGE MAILINGS

A mailer may take the advertisements of different companies and mail them in the same envelope at third-class rates. This practice, known as marriage mailing, is not prohibited by Service regulations on either a single-piece or bulk-rate basis. In fact, Postal Service documents show the agency is in favor of such mailings. Postal officials advocate this type of mailing because it allows businesses to use the mails which may not do so otherwise, thereby increasing Service revenues.

Service regulations concerning qualification for bulk third-class rate privileges state that a \$30 fee must be paid once each calendar year by or for any person who mails at these rates. Any person who engages a business concern or another individual to mail for him must pay the \$30 or have it paid for him. Consequently, as long as a mailer who is making a marriage mailing has (1) paid the \$30 or it was paid by his clients and (2) met all other requirements for bulk mailings, such as presorting and quantity requirements (at least 50 pounds or 200 pieces), the Service will allow him to make the mailing.

Officials at every post office visited said this type of mailing was the exception rather than the rule. In addition, a direct mailer in southern California said that major mailing firms generally refrain from using marriage mailings because clients do not want their advertising in the same envelope with that of another company. He said use of marriage mailings is the quickest way mailing firms can lose clients.

Our tests of Service records of third-class bulk mailings support these statements. We did not find a single instance of a marriage mailing. However, there was some confusion at the post offices visited concerning the interpretation of third-class regulations which could have resulted in errors in the records.

We asked postal officials at the local and headquarters levels what they would do with several hypothetical marriage mailings. On the basis of the same sections of the regulations, they would have handled identical situations in several different ways. A headquarters official said the Service is developing a training course for bulk mail technicians designed to alleviate this confusion.

Revenue losses from marriage mailings

Postal officials believe that, if marriage mailings were not allowed, the Service would incur a slight revenue loss because these mailers would use alternative methods for delivering advertisements.

The Service has not attempted to determine the reduction in mail volume that would result from eliminating marriage mailings, nor does it maintain statistics on the number of marriage mailings. Therefore, we have no data on which to base an estimate of revenue loss, if any.

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As requested, we have not obtained the Service's comments on this report. We do not plan to distribute this letter further unless you agree or its contents are publicly announced.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "James B. Stacks". The signature is written in a cursive, flowing style.

Comptroller General
of the United States

newspapers with smaller circulations, the plan is to run six insertions.

3 Needham, Harper & Steers Advertising, Inc., is provid-^{D-251}ing the advertising services. An existing contract with that firm was modified by increasing the funding by \$3,835,000 for the cost of the program. Media costs are expected to account for \$3,435,000 of the total program expense.

The advertising campaign was prompted by the results of a study conducted for the Service by Burke Marketing Research, Inc., and complaints received about service from postal users. As part of the Burke study, respondents were asked about the job being performed by both the Service and, as a comparison, the telephone company in providing general information to the public about the use of their services and in answering questions raised by the public about these services. The study showed that those queried thought the telephone company was performing better in both areas.

The study was based on probability sampling techniques. Burke selected 119 primary sampling areas throughout the contiguous 48 States. The sample was based on population and was obtained by using randomly generated telephone dialing sheets to dial into each sampling area. One thousand interviews were conducted.

Service records show that approximately 2 million complaints were received at postal field facilities and an additional 29,418 complaints were received by the Service Headquarters' Consumer Advocate during fiscal year 1973. A Service analysis, categorizes the complaints by major subject, such as delayed mail, lost articles, damaged mail, and personnel. A Service official informed us that many complaints about delayed mail can be attributed to a lack of consumer understanding of the various classes of mail and their respective service standards. We selected some consumer complaints and noted that the information required to answer them was generally of the type contained in the Service's recent newspaper insertions.

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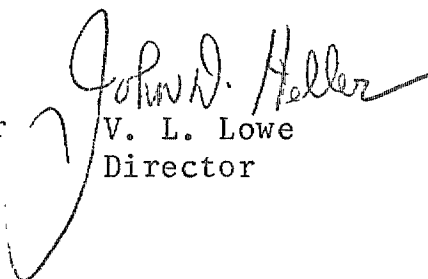
To date, 6 of the 12 planned insertions have appeared in daily newspapers. Service officials advised us that, in the near future, they plan to conduct a study similar to Burke's to evaluate the effectiveness of the advertising program.

As requested by your office, we did not ask the Postal Service to review or formally comment on this report. However, we did discuss it with Postal Service officials and they agreed with the accuracy of the facts.

As requested, we are returning the enclosure from your letter.

Sincerely yours,

Acting for


V. L. Lowe
Director

Enclosures - 4

ENCLOSURE I

FURNISHINGS AND EXPENDITURES FOR THE
POSTMASTER GENERAL'S OFFICE AREA

<u>Item</u>	<u>Quantity</u>	<u>Unit price</u>	<u>Estimated unit transportation cost</u>	<u>Item total</u>	<u>Expenditure total</u>
Furniture:					
Sofa	1	\$ 821.08	\$129.00	\$ 950.08	
Chair	8	242.50	6.25	1,990.00	
Bookcase	1	549.00	(a)	549.00	
End table	2	155.00	17.50	345.00	
Convertible couch	1	1,043.60	100.00	1,143.60	
Table	2	115.71	12.00	255.42	
Conference table	1	1,285.92	156.00	1,441.92	
Telephone table	1	178.50	16.00	194.50	
Chair	7	778.40	46.88	5,748.96	
Sofa	2	984.00	94.00	2,156.00	
Table	2	489.00	48.90	1,075.80	
Table	1	140.00	14.00	154.00	
Receptionist's desk	1	1,431.00	145.00	1,576.00	
Chair	1	138.69	16.50	155.19	
Secretary's desk	1	910.50	104.00	1,014.50	
Chair	2	138.00	16.50	309.00	
Chair	2	127.00	16.50	287.00	\$19,345.97
Lavatory fixtures (note b):					
Marble countertop and basin	1	1,435.00	-	1,435.00	
Water closet	1	310.00	-	310.00	
Basin	1	148.00	-	148.00	
Water closet	1	190.00	-	190.00	
Installation	-	-	-	-	2,083.00
Carpeting:					
202 sq. yds. (note c)		26.84	-	5,421.68	
Installation of 167 sq. yds.		4.22	-	704.74	
273.6 sq. yds. (note d)		16.60	-	4,541.76	
Installation of 273.6 sq. yds.		3.65	-	998.64	11,666.82
Draperies (note e):					
184.6 sq. yds.		32.50	-		5,999.50
Walnut doors:					
With postal seal	2	950.00	30.28	1,960.56	
Without postal seal	2	825.00	30.28	1,710.56	3,671.12
Pantry (note f)	-	-	-	-	5,280.00
					<u>\$48,046.41</u>

^aNone. Item purchased locally.

^bContractor's estimate of costs and installation costs.

^cAbout 167 sq. yds. will be installed. The difference--about 35 sq. yds.--is extra carpeting for waste and for future needs, such as repairs.

^dThe approximate area of the rooms to be covered. Does not include extra carpeting for waste. Postal officials were unable to estimate the extra carpeting ordered for waste.

^eDraperies for the West Building were purchased as a total package. Contractor's estimate for the draperies for the Postmaster General's office area includes fabric, fabrication, hardware, and installation.

^fIncludes all appliances and fabricating, delivering, setting, and erecting the entire pantry.

BEST DOCUMENT AVAILABLE

FURNISHINGS AND EXPENDITURES FOR THE POSTAL SERVICEOFFICIAL RECEPTION, PRESS CONFERENCE AND THEBOARD OF GOVERNORS' AREAS

<u>Item</u>	<u>Quantity</u>	<u>Unit price</u>	<u>Estimated unit transportation cost</u>	<u>Total</u>	<u>Expenditure Total</u>
Furniture:					
Dining table	13	\$ 525.00	\$ 52.50	\$ 7,507.50	
Dining chairs	52	212.40	(a)	11,044.80	
Drum table	1	1,685.00	150.00	1,835.00	
Settee	4	749.43	74.94	3,297.48	
Lounge chair	6	480.00	55.00	3,210.00	
Occasional chair	8	305.90	37.62	2,748.16	
Sofa	2	1,528.40	146.50	3,349.80	
Table, glass top	3	192.50	22.00	643.50	
Table, marble top	4	167.00	65.00	928.00	
Sideboard	2	1,895.00	225.00	4,240.00	
Conference chair	20	438.30	43.83	9,642.60	
Conference table	8	1,325.00	132.50	11,660.00	
Credenza	2	1,177.00	145.00	2,644.00	
Chandelier	1	3,718.80	(a)	3,718.80	
					\$66,469.64
Carpeting:					
567 sq. yds.					
(note b)		17.66	-	10,013.22	
Installation 567 sq. yds.		3.65	-	2,069.55	
					12,082.77
Draperies (note c):					
249 sq. yds.		14.90	-	3,710.10	
74 sq. yds.		13.60	-	1,006.40	
					4,716.50
Kitchen (note d):					
					44,909.00
Kitchen design consultant fees					
					2,407.79
					<u>\$130,585.70</u>

^aNone. Items purchased locally.

^bThe approximate area of the rooms to be covered. Does not include extra carpeting for waste.

^cDraperies for the West Building were purchased as a total package. Contractor's estimate for the draperies for this area includes fabric, fabrication, hardware, and installation.

^dIncludes all appliances and fabricating, delivering, setting, and erecting the entire kitchen.

BEST DOCUMENT AVAILABLE

TRAVEL COSTS FOR POSTMASTER GENERAL
DURING FISCAL YEAR 1973

Date	Cities visited	Costs incurred				Costs incurred		Purpose of trip
		Travel	Lodging	Meals (note a)	Representation (note b)	Other (note c)	Total	
1972:								
June 26	New York	\$ 68.00	-	-	\$ 53.18	\$ 1.10	\$ 122.28	Meeting and lunch with Chairman, Board of Governors.
July 7	Washington, D.C.	-	-	-	133.45	-	133.45	Meeting and dinner with Members of Congress.
July 18 to 20	Chicago and New York	176.00	171.82	19.70	-	2.60	370.12	Meeting with Board of Governors in New York.
July 27	New York	68.00	-	-	-	-	68.00	Meeting with president, New York Times.
Aug. 6 to 10	Phoenix, Ariz. and Kansas City, Mo.	366.00	-	-	82.00	-	448.00	Spoke at Postal Supervisors Convention in Phoenix. Spoke at Rural Letter Carriers Convention in Kansas City.
Aug. 13	New York	60.00	-	-	-	-	60.00	Interviewed prospective candidate for top-management job.
Aug. 16 to 20	Wichita, Kans. and Hartford, Conn.	267.00	103.00	63.89	-	97.99	531.88	Spoke at Farmers' Appreciation Night and met with local postal officials.
Aug. 31 to Sept. 3	Hartford, Conn.	66.00	-	-	-	d 235.43	301.43	This trip involved changing his personal residence.
Sept. 11 and 12	Dallas	224.00	95.40	14.52	-	-	343.92	Toured Texas Instruments, Inc., and met with a member of Board of Governors.
Sept. 19 to 27	Salt Lake City, Los Angeles, Chicago, and Washington, D.C.	458.00	585.12	167.81	244.90	e 365.55	1,821.38	National Association of Postmasters Convention meeting and dinner. Meeting with a member of the Board of Governors.
Oct. 2	New York	68.00	-	-	-	.60	153.97	Meeting and dinner with Chairman, Board of Governors, and other officials.
Oct. 4 to 11	Buffalo and New York, N.Y., and Sarasota and Miami, Fla.	319.68	142.86	37.53	105.65	82.18	687.90	Meeting and dinner, Postal Service Miami District Manager and other postal officials. On personal leave Oct. 8 and 9.
Oct. 17 and 18	New York	68.00	55.50	63.58	-	1.76	188.84	Spoke at Commerce and Industry Association meeting.
Oct. 19	New York	-	-	-	118.85	-	118.85	No travel costs; was to host dinner party for Members of Congress but other business made it impossible for him to attend.
Oct. 20	Washington, D.C.	414.00	159.00	74.06	63.80	-	63.80	Meeting and dinner with postal officials.
Oct. 25 to 28	Los Angeles	68.00	55.50	65.31	76.53	.75	724.34	Dinner and meeting with Los Angeles District Manager.
Nov. 5 and 6	New York	212.00	-	-	57.47	d 145.70	357.70	Meeting with Chairman, Board of Governors.
Nov. 12 to 19	Sarasota, Fla., and Atlanta, Ga.	68.00	-	-	-	-	68.00	Visited local postal officials in Sarasota. Spoke at meeting of postal supervisors in Atlanta.
Nov. 22	New York	-	-	-	-	-	98.98	Meeting and discussion with postal customers.
Dec. 4	New York	-	-	-	41.80	-	41.80	Sponsored dinner for Members of Congress but was unable to attend.
Dec. 21	New York	-	-	-	-	-	-	Sponsored luncheon for Members of Congress but was unable to attend.
1973:								
Jan. 4	New York	60.00	-	-	-	.90	60.00	Interviewed prospective candidate for top-management job.
Jan. 9	New York	68.00	121.70	124.71	73.89	.88	142.79	Meeting and luncheon with Chairman, Board of Governors.
Jan. 15 to 17	New York	68.00	96.30	20.70	101.98	f 106.09	291.09	Meeting and luncheon with officials of the Western Union Co.
Jan. 25 to 31	Hartford, Conn. and Conway, Mass.	68.00	60.85	11.96	79.65	22.08	242.54	Meeting with officials of Travelers Insurance Co. Visited local postal installation.
Feb. 1 and 2	New York	68.00	62.40	-	-	32.00	258.40	Meeting with Chairman, Board of Governors.
Mar. 22 to 28	Jacksonville and Sarasota, Fla.	164.00	236.94	69.00	-	1.30	518.35	Visited computer installation at post office. Met with IBM officials and a Member of Congress.
Apr. 9 to 13	Memphis, Tenn., and Chicago	211.11	60.85	63.21	-	1.43	194.22	Service Improvement Conference.
Apr. 16 and 17	New York	68.73	81,176.00	247.89	-	2.73	1,841.36	Visited IBM headquarters and viewed operations of Optical Character Readers.
Apr. 23 to 25	San Francisco	414.74	-	-	-	-	52.10	April management conference on service improvement.
May 1	Washington, D.C.	184.10	238.23	134.83	33.93	8.00	599.09	Dinner meeting with Board of Governors.
May 5 to 9	Chicago and Kansas City, Mo.	68.73	243.40	34.75	323.77	7.54	678.19	Spoke at Truman Stamp Ceremony, facility. Spoke at Truman Stamp Ceremony.
May 13 to 17	New York	69.27	51.00	5.00	258.39	.60	384.26	Dinner and meetings with postal officials.
June 4 and 5	New York	69.27	109.00	-	58.63	1.80	238.70	Dinner and meeting with Board of Governors.
June 10 to 12	New York	-	-	-	-	-	-	Luncheon and meeting with postal supervisors.
Total		\$4,562.63	\$3,824.87	\$1,218.45	\$2,144.32	\$1,120.39	\$12,870.66	

^aMay include the meal cost for others. There is no documentation showing a detailed breakdown.

^bMeals and related costs incurred in entertaining guests of the Postmaster General.

^cRental cars, cabs, phone calls, etc.

^dRental car costs.

^eIncludes \$340.00 for a round-trip airline ticket to Salt Lake City for Mrs. E. Klassen to attend the National Association of Postmasters Convention as the guest of honor.

^fLocal transportation, such as taxi cabs.

^gSleeping rooms for the Postmaster General and four postal executives and two parlors for meeting rooms.

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